Information

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NTBS feeds expansion with 3i Infotech

Emma Connors

KEY POINTS

- NTBS produces a retail banking software package.
- Indian firms want financial services skills not readily available at home.

India-based outsourcing specialist 3i Infotech is negotiating to buy a controlling stake in New Zealand software developer NTBS Group in a deal that values the financial services systems specialist at about $NZ20 million ($17.9 million) and illustrates the acquisitive nature of India's booming software sector.

The NTBS product is a retail banking software package approved by regulators in the United Kingdom, Australia and New Zealand.

A letter of intent signed this week by both companies confirms 3i Infotech's interest in NTBS, which was originally a software development unit in the Australia-based financial services giant, AMP.

NTBS founder and chief executive Richard Schipper yesterday declined to comment.

It's understood NTBS is seeking new capital to fund its planned expansion. The company operates in the UK, Australia and New Zealand. Its clients include AMP and Members Equity Bank, an institution owned by various Australian superannuation funds and designed to give consumers access to low-cost financial products and services.

3i Infotech's senior vice-president of strategic engagements, Abhijit Banerjee, would not discuss NTBS but confirmed 3i Infotech was looking at possible acquisitions in Australia and New Zealand to boost its presence in this market.

The proposed acquisition follows an example set by Indian giant Tata Consultancy Services, which acquired Australian tech developer Financial Network Services for $US26 million ($30.6 million) in October 2005.

More such deals were likely, said Sri Annaswamy, founder of Sydney-based consultancy firm Swamy & Associates.

Mr Annaswamy declined to comment on the 3i Infotech/NTBS transaction, citing client confidentiality, but said Indian business process outsourcing and tech services companies had an increased appetite for mergers and acquisitions, particularly in the financial services industry.

The key drivers for the Indian companies were a need to acquire financial services skill-sets and domains not readily available in their home market, a desire to globalise delivery strategies, and a drive to produce rapid earnings growth in high-margin value-added activities, Mr Annaswamy said.

In addition to relatively small buy-outs of independent companies, recent transactions completed elsewhere suggest these Indian companies are also ready to team up with private equity players to fund bigger deals that involve business units carved out from multinationals. Examples of this type of transaction include the sale of a Citigroup business process outsourcing subsidiary to a consortium led by Genpact, and the carve-out of a Philips-based unit to Infosys.

"There is a significant opportunity to treat back offices as globally tradeable assets that can be carved out to service providers and private equity firms," Mr Annaswamy said.